

MAHAWELI REACH HOTELS PLC

***INTERIM FINANCIAL STATEMENTS
FOR THE 09 MONTHS ENDED
31st DECEMBER 2022.***


MAHAWELI REACH HOTELS PLC
STATEMENT OF COMPREHENSIVE INCOME

Audited 31.03.2022	For the 03 Months Ended 31st December (Unaudited)		For the 09 Months Ended 31st December (Unaudited)		
	2022	2021	2022	2021	
	Rs.	Rs.	Rs.	Rs.	
374,561,206	Revenue	123,634,109	118,303,713	366,452,952	235,936,225
(249,794,223)	Cost of sales	(114,628,944)	(77,956,118)	(336,109,715)	(185,802,211)
124,766,983	Gross profit	9,005,165	40,347,595	30,343,237	50,134,014
47,579,026	Other income	15,617,574	15,389,598	48,387,204	30,956,041
(13,023,751)	Marketing & Promotional expenses	(4,784,973)	(2,836,291)	(13,765,766)	(7,870,071)
(267,451,539)	Administrative & Other expenses	(75,586,520)	(56,833,157)	(219,914,303)	(158,950,933)
(108,129,281)	Operating profit	(55,748,755)	(3,932,255)	(154,949,628)	(85,730,949)
(53,245,652)	Finance costs	(5,724,345)	(6,546,247)	(18,813,257)	(20,473,069)
1,271,024	Finance income	589,250	3,862	688,133	14,907
(160,103,909)	Finance costs - net	(60,883,850)	(10,474,641)	(173,074,752)	(106,189,112)
(160,103,909)	Profit before income tax	(60,883,850)	(10,474,641)	(173,074,752)	(106,189,112)
(16,544,857)	Income tax expense / Credits	-	-	-	-
(176,648,766)	Profit/(Loss) for the period	(60,883,850)	(10,474,641)	(173,074,752)	(106,189,112)
	Other Comprehensive Income				
	Items that will never be reclassified to Profit or Loss				
	Re- Measurement of Defined Benefit & Liability				
4,479,569		-	-	-	-
(627,140)	Related Tax	-	-	-	-
	Revaluation gain on Lands	-	-	-	-
	Revaluation gain on Buildings	-	-	-	-
	Deffered tax impact on revaluation buildings	-	-	-	-
	Other Comprehensive Income for the Year,				
3,852,429	Net of Tax	-	-	-	-
(172,796,337)	Total Comprehensive Income for the Year	(60,883,850)	(10,474,641)	(173,074,752)	(106,189,112)
	Earning/(Loss) per Share Rs.				
(3.75)	Basic	(1.29)	(0.22)	(3.68)	(2.26)

MAHAWELI REACH HOTELS PLC
STATEMENT OF FINANCIAL POSITION


Audited 31.03.2022		Unaudited as at 31.12.2022 Rs.	Unaudited as at 31.12.2021 Rs.
-	Assets		
-	Non-current assets		
1,599,134,337	Property Plant & Equipment	1,461,971,510	1,611,921,376
2,607,586	Work in Progress	2,607,586	2,607,586
1,601,741,923		1,464,579,096	1,614,528,962
-	Current assets		
21,776,345	Inventories	31,644,164	18,752,410
70,974,456	Trade & Other Receivables	26,989,241	41,564,164
-	Due from Related Companies	-	-
2,410,646	Income Tax Refund	4,121,274	4,121,274
27,196,856	Cash and Cash Equivalents	28,783,571	21,155,185
122,358,303		91,538,251	85,593,033
1,724,100,226	Total Assets	1,556,117,347	1,700,121,995
-	Equity and liabilities		
-	Equity		
585,445,870	Stated Capital	585,445,870	585,445,870
819,618,393	Revaluation Reserves	819,618,393	819,618,393
(581,265,393)	Retained Earnings	(754,340,145)	(514,658,168)
823,798,870	Total equity	650,724,118	890,406,095
-	Liabilities		
-	Non-current liabilities		
6,054,556	Deferred Taxation	-	-
175,961,754	Interest Bearing Borrowings	241,547,683	244,031,963
198,355,522	Deferred Tax Liability	182,894,153	182,894,153
51,846,885	Retirement Benefit Obligations	55,267,440	57,259,390
-	Current liabilities		
230,697,182	Trade and Other Payables	259,786,381	173,162,120
-	Short Term Borrowings	-	-
53,923,216	Due to Related Companies	56,142,283	30,653,226
-	Other Current Liabilities	-	-
59,128,807	Current Portion of Interest Bearing Borrowings	4,976,573	9,450,404
124,333,433	Bank Overdrafts	104,778,717	112,264,642
900,301,356	Total liabilities	905,393,230	809,715,899
1,724,100,226	Total equity and liabilities	1,556,117,348	1,700,121,994

These Financial Statements are in compliance with the requirements of the Companies Act No.07 of 2007.

Sgd. 
Prabodh Dias
Assistant Finance Manager

The above figures are provisional & subject to audit
Figures in brackets indicate deductions.

Signed for and on behalf of the Board

Sgd. 
J A Panabokke
Director

Sgd. 
W P Hettiaratchi
Director

31st January 2023

MAHAWELI REACH HOTELS PLC
STATEMENT OF CHANGES IN EQUITY

	Stated Capital Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 1st April 2022	585,445,870	819,618,393	(581,265,393)	823,798,870
Profit or loss	-	-	(173,074,752)	(173,074,752)
Balance as at 31st December 2022	585,445,870	819,618,393	(754,340,145)	650,724,118
Balance as at 1st April 2021	585,445,870	819,618,393	(408,469,056)	996,595,207
Profit or loss	-	-	(106,189,112)	(106,189,112)
Balance as at 31st December 2021	585,445,870	819,618,393	(514,658,168)	890,406,095

MAHAWELI REACH HOTELS PLC
STATEMENT OF CASH FLOWS

Audited 31.03.2022		Unaudited as at 31.12.2022 Rs.	Unaudited as at 31.12.2021 Rs.
Cash flow from operating activities			
(160,103,909)	Profit / (Loss) for the period	(173,074,752)	(196,189,112)
Adjustments for :-			
69,031,553	Depreciation	50,160,827	68,408,695
571,750	Interest Expenses	420,994	1,557,642
8,762,679	Bank overdraft and loan interest	-	-
522,510	Related party loan interest	-	-
3,398,081	Other financial charges	-	-
39,990,632	Moratorium loan interest	82,414,002	-
4,664,414	Movement in Provision for Gratuity & Accruals	(4,248,463)	7,269,433
(2,469,082)	Disposal gain on sales and lease back transaction	-	-
	Provision for Income Tax	-	-
3,433,814	Impairment Loss on Trade & Other Receivables	-	-
(32,197,558)	Changes in Operating Assets and Liabilities :-	(44,327,392)	(28,953,342)
(3,384,055)	(Increase) / Decrease In Inventories	(9,867,819)	(851,509)
(32,242,969)	(Increase) / Decrease In Trade and other Receivables	43,985,215	(29,283,207)
76,199,270	Increase / (Decrease) in due to Related parties	25,489,057	15,028,848
35,779,187	Increase / (Decrease) In Trade & Other Payables	29,089,199	7,558,728
44,153,875		44,368,259	(36,500,482)
	Interest paid	(420,994)	(1,557,642)
(4,230,550)	Gratuity paid	(3,420,555)	-
	Tax paid	-	-
39,923,325	<i>Net cash generated from operating activities</i>	40,526,710	(38,058,124)
Cash flows from investing activities			
(387,290)	Purchases of Property Plant & Equipments	-	-
	Proceeds from disposal of Assets	-	-
-	Investment in WIP assests	-	(78,586)
(387,290)	<i>Net cash used in investing activities</i>	-	(78,586)
Cash flows from financing activities			
(45,907,121)	Proceeds from Loans	(2,219,067)	58,770,088
-	Repayment of Loans & Leases	(23,537,298)	(19,802,080)
(45,907,121)	<i>Net cash used in financing activities</i>	(25,756,365)	38,968,008
(6,371,086)	<i>Net increase in cash and cash equivalents</i>	14,770,345	831,300
(90,765,491)	Cash & Cash equivalents at beginning of the year	(90,765,491)	(91,940,758)
(97,136,577)	Cash & cash equivalents at end of period	(75,995,146)	(91,109,458)

MAHAWELI REACH HOTELS PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS

CORPORATE INFORMATION

INTERIM CONDENSED FINANCIAL STATEMENTS

APPROVAL OF FINANCIAL STATEMENTS

The interim condensed financial statements of the Company for the 09 months ended 31st December 2022 were authorised for issue by the Board of Directors on 31st January 2023

BASIS OF PREPARATION

The interim condensed financial statements have been prepared in compliance with Sri Lanka Accounting Standard (SLAS) LKAS 34 - Interim Financial Reporting. These interim condensed financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2022.

These financial statements quarter ended 31st December 2022 have been prepared on a historical cost basis, except for land and buildings.

SIGNIFICANT ACCOUNTING POLICIES

The changes to accounting policies set out below have been applied consistently to all periods presented in these interim condensed financial statements and in preparing the opening SLFRS/LKAS, unless other indicated.

The presentation and classification of the financial statements of the previous periods have been amended, where relevant, for better presentation and to be comparable with those of the current period.

Finance costs

Finance Income comprise interest income from Staff Loans.

Finance cost comprise interest expense on borrowings.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI) and fair value through profit or loss. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

The financial assets include cash, trade and other receivables and loans and other receivables.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (equity instruments) Financial assets at fair value through profit or loss.
- Financial assets at amortized cost (debt instruments)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

The right to receive cash flows from the asset have expired

The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the receivable cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

- (a) the company has transferred substantially all the risks and rewards of the asset, or
- (b) the company has either transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the company's continuing involvement in it.

In the case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained. Continuing involvement that takes the form of guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives as appropriate and determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The financial liabilities include trade and other payables, bank overdrafts, loans and borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Gains or losses on liabilities held for trading are recognised in the income statement.

The company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liability are derecognised as well as through the effective interest rate method (EIR) amortization process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in the finance costs in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement. Substantially modified, such an exchange,

Financial risk management objectives and policies

The Company principal financial liabilities comprise of loans, borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the company's operations. The Company has trade and other receivables, and cash that arise directly from its operations. The Company is exposed to market risk, credit risk and liquidity risk

The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. Risk management is carried out under policies approved by the Board of Directors.

Share Information

Public share holdings

The percentage of shares held by the public as at 31st December 2022 was 21.11%(31st December 2021- 20.22%)

Directors' share holdings

The number of shares held by the Board of Directors are as follows:

As at	31-Dec-22	31-Dec-21
Mr. J. A. Panabokke	1,905,858	1,905,858
Mr. M U Maniku	1,217,306	1,217,306
Mr. A. N. Esufally	332,000	332,000
Ms. D. L. Panabokke	309,843	262,033
Mr. Janaka Asitha Panabokke	176,460	174,460
Mr. P.B. Panabokke (Alternate Director to Ms.D L Panabokke)	57,800	45,160
	<u>3,999,267</u>	<u>3,936,817</u>

Twenty largest shareholders of the company are as follows:

As at	31-Dec-22	%
Universal Enterprises Pvt. Ltd	32,683,550	69.44%
Freudenberg Shipping Agencies Limited	3,000,000	6.37%
Mr. J A Panabokke	1,905,858	4.05%
Mr B D Panabokke	1,502,843	3.19%
Mr. M U Maniku	1,217,306	2.59%
Estate of Late Mr. K M Panabokke	826,637	1.76%
Estate of Late Mrs. L. R. Panabokke	819,050	1.74%
Mr. J A Panabokke & Mrs.K D Panabokke	731,418	1.55%
Mr. A N Esufally	332,000	0.71%
Ms. D L Panabokke	309,843	0.66%
Mrs.K D Panabokke	247,550	0.53%
Mackwoods Securities Limited	229,627	0.49%
Mr. H.D. Molligoda	187,965	0.40%
Mr. J Asitha Panabokke	176,460	0.37%
Ms. R.S. Molligoda	156,345	0.33%
MR. S.R.S De Saram	152,545	0.32%
Mackwoods Enterprises Limited	66,593	0.14%
Mr. G.R. De Livera	65,791	0.14%
Mr. R. Ratna Gopal	57,800	0.12%
Others	2,397,266	5.09%
	<u>47,066,447</u>	<u>100%</u>

Stated capital

Stated capital is represented by number of shares in issue as given below:

As at 31st December 2022	No of Shares	Holding %	No of Shareholders
Others	37,128,707	78.89%	9
Public	9,937,740	21.11%	2,246
Ordinary shares	47,066,447	100.00%	2,255
Preference Shares	11,660	11,660	

Net assets per share As at

31-Dec-22	31-Dec-21
13.83	18.92

Net assets per share have been calculated, for all periods, based on the number of shares in issue as at 30th June 2022.

Market price per share

For the quarter ended 31 December	2022 Rs.	2021 Rs.
Highest	16.50	21.70
Lowest	11.70	14.5
Last traded	12.50	17.1
Market Capitalization on 31st December	588,330,588	804,836,244

Minimum Public Holding Requirement as per Listing Rules 7.13.1

	Float Adjusted Market Capitalisation - (Rs.)	Public Holding Percentage	No of Shareholders	Option
Minimum Public Holding	124,221,750	21.11%	2,246	2

Contingencies, capital and other commitments

A Contingent Liability of Rs.10 million exists due to a legal claim by a customer in the ordinary course of business. Mahaweli Reach Hotels PLC maintains a public liability insurance policy and the matter has been referred to the insurers. An evaluation of the likelihood of an unfavourable outcome resulting in a potential loss cannot be quantified or commented upon at this stage.

Following the termination of employees on disciplinary grounds an inquiry was held by the Commissioner General of Labor and an order was issued for reinstatement and the payment of back wages. The Company filed a Writ Application in the Court of Appeal to have this order quashed. The Honorable Court delivered its judgement on 12th December 2018, quashing the order of the Commissioner General of Labor which required reinstatement of these employees and stating that the Commissioner General of Labor should hear the parties and make an order regarding the compensation payable to these persons in terms of the Termination of Employment of Workmen (Special Provisions) Act No: 45 of 1971 (as amended). Legal Advice has been sought with respect to the decision of the Commissioner General of labor which was received on 05th August 2019. In view of legal advice that the determination received from the Commissioner General of Labor on 05th August 2019 was incorrect in law, the company has filed a Writ Application before the Court of Appeal seeking an order quashing the said decision. No material losses are anticipated as a result.

Event after the reporting period

There are no material subsequent events to the Balance Sheet date that require disclosure in the interim financial statements.